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SUBJECT: EPSTEIN MEETING WITH FINANCE MINISTER OKONJO-IWEALA

REF: ABUJA 110

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INTRANET OR INTERNET.

SUMMARY

1. (SBU) Finance Minister Ngozi Okonjo-Iweala told us February 10 that she expects the budget to be passed by the National Assembly (NA) in the next ten days, and with what she considered to be the key budget figure, the deficit, kept to 2.5 percent or less. Paper budget figures have not tallied with real expenditures in the past (the "budget implementation" problem), but Ngozi noted that the GON is beginning to provide detailed expenditure figures. Ngozi also discussed the GON's import bans, claiming they are temporary. END SUMMARY.

BUDGET

2. (SBU) Visiting AF/W Nigeria Desk Officer, CDA Anyaso, Counselor Maxstadt and USAID Director Liberi met with Finance Minister Ngozi Okonjo-Iweala on February 10. The Minister had just returned from hearings at the National Assembly (NA), and she believed it would pass the budget in the next ten days. Unlike previous years when the budget formulation process was opaque to NA members, who vented their frustrations by delaying or avoiding budget approval, Ngozi told us this year the administration had consulted widely in the NA before and after submitting the budget. NA members were asked to agree to "envelopes" delineating the size of specific parts of the budget, much as government ministers had been asked, and the example caught on. When the administration offered NA members special "constituency projects," (reftel), small development allocations for specific items an NA member would want for his/her district, NA members agreed that they too would remain within the "envelopes."

3. (SBU) Ngozi believes the approved budget will have a small deficit of between 2.1 and 2.5 percent, compared to four or five percent in recent years' budgets. Parastatals were all told to produce 25 percent "efficiencies" (reductions) in their operating costs, and the overall theme of the administration is to compress recurrent expenditures in order to preserve money for capital expenditures and the maintenance of debt service. NA members, and the public at large, have complained that past expenditures were not detailed, and present revenues were underestimated as well as not detailed. Ngozi said the government has begun to publish detailed expenditure figures (septel), and the government is working on how to provide revenue transparency.

4. (SBU) GON ministers have not liked the "envelope" restrictions and other budgeting goals either. The Defense Ministry, Ngozi related as an example, refused to meet with the Finance Minister unless President Obasanjo attended the meeting. Obasanjo agreed, and the Defense Minister brought with him the uniformed chiefs of all of Nigeria's armed services. Ngozi said Obasanjo was not overawed, and the shift in budget emphasis from the military to the police and other security services was preserved. The other priorities in the budget, she said, are health, roads, education and pensions.

SHOWING PROGRESS

5. (SBU) Epstein asked how foreign governments should judge the results of Nigeria's economic reform efforts, given the GON's insistence on having its own reform program instead of an IMF program. Ngozi replied that it was true Nigeria would not do a full IMF reform program, but would seek an IMF imprimatur for the Nigerian effort. An IMF official would be in Nigeria soon for Article Four consultations, Ngozi said, but Nigeria must find other independent means for verification as well as Nigeria's own presentations. On the latter, the World Bank was helping the GON build a website

where the GON would post economic policy and performance information, and also a videoconference facility where others could contact the GON with specific questions.

16. (SBU) "The onus is on us to explain," Ngozi said, and she expected she would be answering questions in the videoconference facility. She hoped at least one donor would support that facility, but in any case the GON would fund most or all of it. The GON would also be adding performance indicators to the Policy Matrix she has shown various USG and other governments' officials, in order to add benchmarks for independent verification.

IMPORT BANS

17. (SBU) Epstein noted that the previous and new additional bans on specific imported goods seemed to be at cross purposes with the GON's thrust toward economic reform. Ngozi's first reply was that "the bans are political." She noted that she disagreed with import bans in general as a means to economic development, but went on to make a case that "the Chinese and Koreans are dumping textiles in Nigeria." Seeing that she was losing her audience, Ngozi shifted gears and emphasized "the bans are not forever, don't fuss too much about them." She argued that U.S. restrictions on steel and EU restrictions on agricultural and other goods undercut arguments she or others might make against such a ban, but her bottom line was that Nigeria's import bans are not permanent.
ANYASO